
LINDMORE IRRIGATION DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

LINDMORE IRRIGATION DISTRICT

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FINANCIAL SECTION

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REPORT OF INDEPENDENT AUDITOR

Board of Directors
Lindmore Irrigation District
Lindsay, California

I have audited the accompanying financial statements of the business-type activity and major fund of the Lindmore Irrigation District as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which comprise the Lindmore Irrigation District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and the State Controller's Minimum Audit Requirements for California Special Districts. These standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also involves evaluating the appropriateness of accounting principles used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activity and major fund of Lindmore Irrigation District, as of December 31, 2015 and 2014, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's Office and State regulations governing special districts.

Other Matters

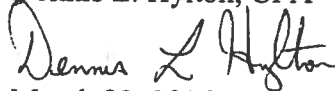
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Management has elected not to provide the management's discussion and analysis.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that comprise Lindmore Irrigation District's basic financial statements. The accompanying Budgetary Comparison Schedules and the Schedule of Organization Structure are presented for the purpose of additional analysis and are not a required part of the basic financial statements of the Lindmore Irrigation District. The information on these schedules has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on them.

Dennis L. Hylton, CPA



March 22, 2016

**LINDMORE IRRIGATION DISTRICT
STATEMENTS OF NET POSITION**

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 226,073	1,072,970
Accounts receivables, net	256,041	284,295
Prepaid expense	60,511	19,861
Investment in marketable securities	<u>2,921,517</u>	<u>4,559,157</u>
Total Current Assets	<u>3,464,142</u>	<u>5,936,284</u>
Non Current assets		
Capital assets, net	9,858,803	10,046,435
Investments in joint power authorities	<u>3,467,317</u>	<u>2,386,928</u>
Total Non Current Assets	<u>13,326,120</u>	<u>12,433,363</u>
Restricted assets		
Cash and cash equivalents	524,847	263,947
Investment in marketable securities	<u>495,175</u>	<u>250,000</u>
Total Restricted Assets	<u>1,020,022</u>	<u>513,947</u>
Total Assets	<u>17,810,284</u>	<u>18,883,594</u>
Liabilities		
Current liabilities		
Current portion of long-term debt	280,000	270,000
Accounts payable	144,698	27,748
Accrued compensated absences	64,992	58,921
Accrued interest	<u>95,328</u>	<u>97,675</u>
Total Current Liabilities	585,018	454,344
Long-term debt	<u>5,175,000</u>	<u>5,455,000</u>
Total Liabilities	<u>5,760,018</u>	<u>5,909,344</u>
Deferred Inflow of Resources		
Unearned revenue	<u>1,120,381</u>	<u>1,120,550</u>
Net Position		
Net investment in capital assets	4,403,803	4,321,435
Restricted for debt service	1,020,022	513,947
Unrestricted	<u>5,506,060</u>	<u>7,018,318</u>
Total Net Position	<u>10,929,885</u>	<u>\$ 11,853,700</u>

The accompanying notes are an integral part of the financial statements.

LINDMORE IRRIGATION DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	<u>For Years Ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
Operating Revenues		
Water sales	1,604,247	\$ 1,596,639
Standby charges	638,481	634,370
Other revenue	<u>136,290</u>	<u>130,143</u>
Total Operating Revenues	<u>2,379,018</u>	<u>2,361,152</u>
Operating Expenses		
Source of supply	1,792,491	1,483,270
Pumping	42,312	48,910
Transmission and distribution	426,500	449,931
Administrative and general	690,915	681,250
Depreciation	<u>187,632</u>	<u>203,476</u>
Total Operating Expenses	<u>3,139,850</u>	<u>2,866,837</u>
Operating Income (Loss)	<u>(760,832)</u>	<u>(505,685)</u>
Non-Operating Revenues (Expenses)		
FPA revenue	-	61,628
Interest income	112,385	106,124
Investment gain (loss)	(40,828)	(38,700)
Interest expense	<u>(234,540)</u>	<u>(241,619)</u>
Total Non-Operating Revenues (Expenses)	<u>(162,983)</u>	<u>(112,567)</u>
Change in Net Position	(923,815)	(618,252)
Net Position Beginning of Year	<u>11,853,700</u>	<u>12,471,952</u>
Net Position End of Year	<u>\$ 10,929,885</u>	<u>\$ 11,853,700</u>

The accompanying notes are an integral part of the financial statements.

**LINDMORE IRRIGATION DISTRICT
STATEMENTS OF CASH FLOWS**

	<u>For Years Ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities:		
Cash received from:		
customers and others	\$ 2,408,552	\$ 2,951,743
Cash paid to:		
Suppliers	(2,270,305)	(2,065,387)
Employees	<u>(599,542)</u>	<u>(537,828)</u>
Net cash provided (used) by operating activities	<u>(461,295)</u>	<u>348,528</u>
Cash Flows from Capital and Related Financing Activities:		
Acquisition of capital assets	-	(12,656)
Debt principal paid	(270,000)	(265,000)
Interest paid	<u>(236,887)</u>	<u>(244,838)</u>
Net cash used by capital and related financing activities	<u>(506,887)</u>	<u>(522,494)</u>
Cash Flows from Investing Activities:		
Interest earned	110,937	112,144
Income from Friant Power Authority	-	61,628
Investment in marketable securities	1,392,465	147,968
Investment in joint powers authority	<u>(1,121,217)</u>	<u>(480,618)</u>
Net cash provided (used) from investing activities	<u>382,185</u>	<u>(158,878)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(585,997)	(332,844)
Cash and Cash Equivalents, beginning of year	<u>1,336,917</u>	<u>1,669,761</u>
Cash and Cash Equivalents, end of year	<u>\$ 750,920</u>	<u>\$ 1,336,917</u>
Current assets	\$ 226,073	\$ 1,072,970
Restricted assets	<u>524,847</u>	<u>263,947</u>
Total Cash and Cash Equivalents	<u>\$ 750,920</u>	<u>\$ 1,336,917</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities:</u>		
Operating Income (Loss)	\$ (760,832)	\$ (505,685)
Adjustments to reconcile operating income to cash provided by operating activity:		
Depreciation	187,632	203,476
(Increase) decrease in:		
Accounts receivables	29,703	108,804
Prepaid expenses	(40,650)	65,240
Increase (decrease) in:		
Accounts payable	116,950	16,527
Accrued compensated absences	6,071	44
Unearned revenue	<u>(169)</u>	<u>460,122</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (461,295)</u>	<u>\$ 348,528</u>

The accompanying notes are an integral part of the financial statements.

**LINDMORE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

(1) Summary of Significant Accounting Policies

The Lindmore Irrigation District (the District), accounts for its financial transactions in conformity with generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants. The District applies Financial Accounting Standards Board pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Governmental Accounting Standards Board pronouncements, in which case, GASB prevails.

Reporting Entity

The District was formed on March 6, 1937 as a special district in the State of California and is governed by a five-person Board of Directors. The District provides irrigation water to the area surrounding the City of Lindsay and unincorporated town of Strathmore.

Component Units

Component units are legally separate organizations for which the district is financially accountable. Component units may include organizations that are fiscally dependent on the district in that the district approves their budget, the issuance of their debt or the levying of their taxes. For financial reporting purposes, the component unit discussed below has a financial and operational relationship which meets the reporting entity definition criteria of the GASB Statement No. 14, *The Financial Reporting Entity* as amended by GASB Statement No. 61, *The Financial Reporting Entity*, and thus is included in the financial statements of the District. The component unit, although a legally separate entity, is reported in the financial statements using the blended presentation method as if it were part of the District's operations because the governing board of the component unit is the same as the governing board of the District and because a financial benefit or burden relationship exists between the component unit and the District as its purpose is to finance the acquisition of a permanent water right for the District from the United States of America, Bureau of Reclamation in which repayment will be made entirely by resources of the District.

The Lindmore Irrigation District Financing Corporation's financial activity is presented in the financial statements. Revenue Certificates of Participation issued by the Corporation are included as long-term obligations in the business-type activity financial statements. Individually-prepared financial statements are not prepared for the Lindmore Irrigation District Financing Corporation.

**LINDMORE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred regardless of the timing of related cash flows.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for the proprietary fund are charges to customers for sales or services and standby. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

The District follows the provisions of the GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis-For State and Local Governments*. This Statement established the financial reporting standards for all state and local government entities, which includes a statement of net positions, a statement of revenues, expenses and changes in net position, and a statement of cash flows. It requires the classification of net position in the following three components:

Net investment in capital assets - This component of net positions consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted – This component of net position consists of constraints imposed by creditors (such as through debt covenant), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component of net position consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Budget and Budgetary Accounting

An annual budget in accordance with generally accepted accounting principles is adopted by the board of directors to provide a basis for establishing water rates at the beginning of each year. No revisions are made during the year. Budgetary comparisons are used by management to monitor expenses during the year.

**LINDMORE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

Fund Accounting

The District operates with only one proprietary fund which accounts for all the operating activities of the District's water acquisition and delivery service.

Cash and Cash Equivalents

Cash includes currency, demand deposit with banks and other financial institutions, and other accounts that have the general characteristics of demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to know amounts of cash or those investments with original maturities of three months or less.

Accounts Receivable

The District uses the reserve method of accounting for bad debts. At December 31, 2015 and 2014, the amount calculated for the reserve was determined to be immaterial.

Capital Assets

Capital assets are defined by the District as assets with an estimated useful life in excess of one year and are recorded at historical cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. A capitalization threshold of \$500,000 was established on April 10, 2012, but allows the general manager discretion to capitalize at lesser costs.

Depreciation of capital assets is computed using the straight line method. The estimated useful lives of the various classes of depreciable capital assets are as follows:

Pumping plant	10-40 years
Transmission and distribution	5-75 years
General plant	5-40 years

Perpetual Right to Water

The District contracted with the United States Bureau of Reclamation (USBR) on November 17, 2010 to receive up to 33,000 acre-feet of Class 1 Water and up to 22,000 acre-feet of Class 2 Water for irrigation and M & I purposes. This cost represents the full repayment of obligations owing the USBR for Friant Division facilities development.

**LINDMORE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

Investments in Joint Power Authorities

Investments in joint power authorities are carried at cost.

Compensated Absences

The District provides for vacation leave to all employees of two to four weeks annually, which is accrued for days earned but not taken. Vacation leave cannot exceed forty days. Employees with 35 days vacation may annually request to have up to 5 days paid on the final check of the calendar year. The District provides for accrual of sick leave for all employees at one day per month with a maximum accumulation of 84 days. An employee with 35 days accumulated sick leave can annually elect to convert up to 5 days to vacation leave.

Unearned Revenue

Cash received in advance of the standby due date or of a required delivery of water are recorded as unearned revenue.

Fund Equity

The business-type activities fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted. The District has a reserve fund restriction of cash under its long-term debt requirements.

Standby Charges

Standby charges are billed in the preceding year and are payable in two installments on December 20 and June 20. Unpaid standby charges are placed as enforceable liens on November 15, which must be renewed after ten years. Standby charges sufficient to cover the annual debt service are irrevocably pledged to the payment of these installment payments.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Evaluation of Subsequent Events

The District has evaluated subsequent events through the report date of these financial statements.

**LINDMORE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

(2) Deposits and Investments

The following is a summary of the District's cash and cash equivalents with fiscal agents at December 31:

	<u>2015</u>	<u>2014</u>
Demand Deposits	\$ 215,667	\$ 908,582
Wells Fargo Advantage 100% Treasury Money Market Fund	524,847	263,947
Local Agency Investment Fund	8,967	138,744
Prime Fund Capital Reserves	<u>1,439</u>	<u>25,644</u>
Total Cash Equivalents	750,920	1,336,917
Restricted Cash	<u>524,847</u>	<u>263,947</u>
Cash and Cash Equivalent	<u>\$ 226,073</u>	<u>\$1,072,970</u>

Demand Deposits

For purposes of classifying categories of credit risk, the demand deposits are covered by Federal deposit insurance up to \$250,000. Whenever the balance exceeds this amount, the remaining balance is collateralized by the pledging financial institution as required by section 53651 of the California Department of Business Oversight, Division of Financial Institutions Local Agency Security Law.

Cash Equivalents

District funds are on deposit with the Local Agency Investment Fund (LAIF), Wells Fargo Bank Advantage 100% Treasury Money Market Fund (WF) and Prime Fund Capital Reserves cash fund (Prime). LAIF is a special investment pool of the California State Treasury. Deposits with LAIF are invested consistent with the guidelines set forth under State of California Government Code Sections 16430 and 16480. Investment in the state treasurer's pool is highly liquid and may be withdrawn upon one day's notice. The state pools these funds with those of other local agencies in the state and invests the pooled funds. Investments in LAIF are not categorized as to credit risk because of their diverse nature. The District's investments in LAIF are stated at cost which approximates market.

WF and Prime are all cash management funds that seek to preserve the value of the investment at \$1 per share value. WF and Prime deposits are not insured nor guaranteed; however Prime deposits are covered under SPIC created by the Securities Investor Protection Act of 1970, an independent government sponsored corporation. SPIC membership provides account protection up to a maximum of \$500,000 per customer of which \$100,000 may be cash.

**LINDMORE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

Investments

The District does not have any policy regarding investments and therefore is subject to California Government Code Sections 53600-53609. Investing must meet the following three objectives: first to safeguard the principal, second to meet liquidity needs, and third to achieve a return on funds. At time of investment, the security term remaining to maturity cannot exceed five years. Investments can include the following: United States Treasury notes, bonds, bills, or those which the faith and credit of the United States are pledged for payment; California local agency bonds; Federal agency or United States government-sponsored enterprise obligations; negotiable certificates of deposit; corporate notes rated "A" or higher, and other specified securities.

The following is a summary of the District's investments in marketable securities at December 31:

	<u>Fair Value</u>		<u>Credit Rating</u>
	<u>2015</u>	<u>2014</u>	
Corporate Bonds	\$ 1,872,752	\$ 1,557,330	A or above
Certificates of Deposit	1,048,765	3,251,827	FDIC insured
Certificates of Deposit	<u>495,175</u>	<u>-</u>	Collateralized
	3,416,692	4,809,157	
Restricted investments	<u>495,175</u>	<u>250,000</u>	
	<u>\$ 2,921,517</u>	<u>\$ 4,559,157</u>	

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, an investment with a longer maturity has a greater sensitivity for its fair value to changes in market interest rates.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. California Government Code requires a rating of "A" or higher.

Concentration of Credit Risk

The District has no investment policy for concentration of credit risk.

**LINDMORE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: a financial institution shall secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. Also, financial institutions are allowed to secure governmental agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investments in securities through the use of mutual funds or government investment pools. The District's investments are in an account carried with National Financial Services LLC, Member NYSE, SIPC to mitigate custodial credit risk.

(3) Accounts Receivable

Accounts receivable is comprised of the following at December 31:

	<u>2015</u>	<u>2014</u>
Standby	\$ 193,924	\$ 217,019
Water Sales	-	-
Liens	45,979	52,586
Interest	<u>16,138</u>	<u>14,690</u>
	256,041	284,295
Allowance for Doubtful Accounts	<u>-</u>	<u>-</u>
Accounts Receivable, net	<u>\$ 256,041</u>	<u>\$ 284,295</u>

**LINDMORE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

(4) Capital Assets

The following is a summary of changes in capital assets for the year ended December 31, 2015:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital Assets, not being depreciated				
Land	\$ 159,347	\$ -	\$ -	\$ 159,347
Perpetual Right to Water	<u>7,076,835</u>	<u>-</u>	<u>-</u>	<u>7,076,835</u>
	<u>7,236,182</u>	<u>-</u>	<u>-</u>	<u>7,236,182</u>
Capital Assets, being depreciated				
Source of Supply	19,704			19,704
Pumping Plant	321,109			321,109
Transmission & Distribution	6,836,593			6,836,593
General Plant	<u>1,136,297</u>	<u>-</u>	<u>-</u>	<u>1,136,297</u>
Total	<u>8,313,703</u>	<u>-</u>	<u>-</u>	<u>8,313,703</u>
Accumulated Depreciation	<u>5,503,450</u>	<u>187,632</u>	<u>-</u>	<u>5,691,082</u>
Capital Assets, depreciated, net	<u>2,810,253</u>	<u>(187,632)</u>	<u>-</u>	<u>2,622,621</u>
Capital Assets, net	<u>\$10,046,435</u>	<u>\$ (187,632)</u>	<u>\$ -</u>	<u>\$ 9,858,803</u>

The following is a summary of changes in capital assets for the year ended December 31, 2014:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital Assets, not being depreciated				
Land	\$ 159,347	\$ -	\$ -	\$ 159,347
Perpetual Right to Water	<u>7,076,835</u>	<u>-</u>	<u>-</u>	<u>7,076,835</u>
	<u>7,236,182</u>	<u>-</u>	<u>-</u>	<u>7,236,182</u>
Capital Assets, being depreciated				
Source of Supply	19,704			19,704
Pumping Plant	321,109			321,109
Transmission & Distribution	6,836,593			6,836,593
General Plant	<u>1,123,641</u>	<u>12,656</u>	<u>-</u>	<u>1,136,297</u>
Total	<u>8,301,047</u>	<u>12,656</u>	<u>-</u>	<u>8,313,703</u>
Accumulated Depreciation	<u>5,299,974</u>	<u>203,476</u>	<u>-</u>	<u>5,503,450</u>
Capital Assets, depreciated, net	<u>3,001,073</u>	<u>(190,820)</u>	<u>-</u>	<u>2,810,253</u>
Capital Assets, net	<u>\$10,237,255</u>	<u>\$ (190,820)</u>	<u>\$ -</u>	<u>\$ 10,046,435</u>

**LINDMORE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

(5) Investments in Joint Power Authorities

Investments represent accumulated payments to joint power authorities for power projects. Total investments at December 31:

	<u>2015</u>	<u>2014</u>
Investment in Friant Power Authority	\$3,438,209	\$2,357,820
Investment in Upper San Joaquin River Water and Power Authority	<u>29,108</u>	<u>29,108</u>
Total	<u>\$3,467,317</u>	<u>\$2,386,928</u>

The District is a 15.25% member of the eight-member joint powers authority that formed Friant Power Authority (FPA) on October 23, 1979 for the purpose of constructing hydroelectric facilities at the Friant Dam. These facilities were completed and are fully functional, providing a return on this investment. Additional investment continues for the development of an additional hydroelectric facility at the base of the Friant Dam. This construction project is currently over one-third complete. Distributions of FPA earnings received included as non-operating revenue for the drought years ended December 31, 2015 and 2014 are \$-, and \$61,628 respectively.

The District investment in Upper San Joaquin River Water and Power Authority (a development stage enterprise) began with its joint powers authority formation in 1979 by twelve irrigation districts. Its purpose is the development of a hydroelectric power project on the Upper San Joaquin River. The current eleven irrigation district members each appoint one member to the governing board. This board met in 2001 deciding to remain a viable entity for future determination of feasibility for its intended development project.

Condensed financial information for investment in these joint power authorities are as follows at the respective June 30:

	Friant Power Authority <u>2015</u>	Upper San Joaquin River Water & Power Authority <u>2011</u>
Total Assets	\$ 23,146,090	\$ 1,693,090
Total Liabilities	<u>581,252</u>	<u>1,974,265</u>
Total Net Position	<u>\$ 22,564,838</u>	<u>\$ (281,175)</u>
Total Revenues	\$ 1,024,109	\$ -
Total Expenses	(1,531,028)	(1,200)
Total Non-operating Revenues	<u>-</u>	<u>-</u>
Increase (Decrease) in Net Position	<u>\$ (506,919)</u>	<u>\$ (1,200)</u>

The District's 15.25% interest in Friant Power Authority total net position per above is \$2,820,600.

**LINDMORE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

(6) Restricted Assets

Under the Trust Agreement for the Revenue Certificates of Participation, Series 2010A, a reserve fund must be maintained to assure sufficient funds are available for semiannual payments according to the terms of the Certificates. Additionally, the District must pay proceeds from standby charges to the trustee on a monthly basis into a certificate payment fund until the amount is equal to the principal and interest with respect to the Certificates payable in the ensuing twelve months.

Restricted assets are comprised of the following at December 31:

	<u>2015</u>	<u>2014</u>
Reserve fund	\$ 508,615	\$ 510,440
Certificate payment fund	<u>511,407</u>	<u>3,507</u>
Total	<u>\$1,020,022</u>	<u>\$ 513,947</u>

(7) Long-Term Debt

On November 1, 2010 the Lindmore Irrigation District Financing Corporation issued \$6,820,000 of revenue certificates of participation. The proceeds were used to acquire a permanent water right for the District from the United States of America, Bureau of Reclamation (USBR). The certificates bear interest at the rate of 2.0 to 5.0 percent per annum. Interest with respect to the certificates is payable on February 1 and August 1 of each year. The certificates are secured by District standby charge collections. At December 31, 2015 the outstanding principal balance is \$5,455,000. The 2016 principal and interest payments below are payable from the restricted assets above.

The certificates mature through 2030 as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 280,000	\$ 228,787	\$ 508,787
2017	290,000	220,388	510,388
2018	295,000	211,687	506,687
2019	305,000	202,838	507,838
2020	315,000	192,925	507,925
2021-2025	1,765,000	776,037	2,541,037
2026-2030	<u>2,205,000</u>	<u>341,250</u>	<u>2,546,250</u>
Total	5,455,000	<u>\$2,173,912</u>	<u>\$7,628,912</u>
Less current portion	<u>280,000</u>		
Long-term debt	<u>\$5,417,000</u>		

The changes in the District's long-term debt during the year consisted of the following:

	Jan 1, 2015			Dec 31, 2015
	<u>Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u>
Revenue Certificates of Participation	\$5,725,000	\$ -	\$ 270,000	\$5,455,000

**LINDMORE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

(8) Commitments and Contingencies

Water Delivery Contract

The District signed, on November 17, 2010, a contract with USBR providing for project water service from Friant Division facilities. This permanent contract makes available for delivery to the District each year to purchase from the USBR up to 33,000 acre feet of Class I Water and up to 22,000 acre feet of Class 2 Water for irrigation and M & I purposes. These available allocations are subject to USBR determination of a possible Condition of Shortage.

Water Delivery Commitment

A water exchange agreement signed on June 30, 2014 provided \$455,000 of cash to the District as the purchase of future 6,500 acre feet of delivered water, including conveyance costs and other charges. Delivery commences in the first year when the U.S. Bureau of Reclamation's allocation of CVP Friant Division Class 1 Water exceeds 100%. The District will supply up to 3,250 acre feet of either CVP Friant Division Class 2 or Uncontrolled Season Water if available to the District. In successive years, the remaining 3,250 acre feet will be delivered from the same sources if available. All 6,500 acre feet must be delivered by September 30, 2026.

Another water exchange agreement signed on June 11, 2013 provided 1,000 acre feet of Class 1 water to the District. The District is obligated to deliver back 3,000 acre feet of Class 2 water outside of the Uncontrolled Season. During the first four years of this Class 2 water made available, the District reserves the right to retain the first one-half supplied. Any remaining amount due in the fifth year shall be returned from Class 1 water.

Settlement of NRDC v. Rogers, et al.

Settlement of this legal proceeding requires substantial commitment of water by all Friant Division Contractors to maintain flows sufficient to sustain a fishery in the Upper San Joaquin River. Prior to full implementation, significant channel and water control improvements are to be performed by federal and state governments.

Cash Commitment for Quinten Luallen Power Plant Construction

In September 2012, the District formally committed to cash participate in the construction of the Quinten Luallen Hydroelectric Power Plant based upon the District's 12.5% share of this Friant Power Authority project. Approximate total construction costs of \$22,000,000 have been determined as of June 30, 2015. According to Friant Power Authority \$11,157,896 has been expended through June 30, 2015. The District's share to complete the project is approximately \$1,355,000 at June 30, 2015.

**LINDMORE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

Economic Dependency

The USBR contract is the only source of water for the District.

(9) Joint Ventures (Joint Powers Agreements)

The District participates in three jointly governed organizations under joint powers agreements (JPA's): Friant Water Authority (FWA), Friant Power Authority (FPA), and Upper San Joaquin River Water and Power Authority (USJRW/PA). The relationship between the District and the JPA's is such that none of the JPA's is a component unit of the District for financial reporting purposes.

FWA was created January 19, 2004 for the purpose to negotiate an assignment of assets, liabilities, rights and obligations of the Friant Water Users Authority (FWUA) in the contract with the United States of America. With the transfer of all assets from FWUA on January 20, 2011, the FWA has been solely responsible for operating and maintaining specified project works of the Friant Division of the Central Valley Project, including, but not limited to, the Friant Dam, the Madera Canal and Friant-Kern Canal. Copies of the latest financial report for FWA may be obtained from FWA, 854 N. Harvard Ave., Lindsay CA 93247.

FPA was created October 23, 1979 for the purpose of constructing and operating hydroelectric facilities at the Friant Dam. Copies of the latest financial report for FPA may be obtained from Southern San Joaquin Municipal Utility District, Highway 99, Delano CA, 93215

USJRW/PA was created June 18, 1979 for the purpose to develop, design, finance, acquire, construct, operate and maintain dams, reservoirs, tunnels, conduits and hydroelectric facilities in the west side of the San Joaquin drainage area above the Mammoth Pool Power Project in order to divert, store and distribute water for beneficial use, and to generate, transmit, consume and sell hydroelectric power. Copies of the latest financial report for USJRW/PA may be obtained from Terra Bella Irrigation District, 24790 Avenue 95, Terra Bella, CA 93270

Condensed financial information for these JPA's (in thousands) is as follows:

	FWA <u>9/30/14</u>	FPA <u>6/30/15</u>	USJRW/PA <u>6/30/11</u>
Total Assets	\$ 10,212	\$ 23,146	\$ 1,693
Total Liabilities	(4,567)	(581)	1,974
Total Deferred Inflows of Resources	<u>(2,551)</u>	<u>-</u>	<u>-</u>
Total Net Position	<u>\$ 3,504</u>	<u>\$ 22,565</u>	<u>\$ (281)</u>
Total Revenues	\$ 18,140	\$ 1,024	\$ -
Total Expenses	(17,611)	(1,531)	(1)
Total Non-Operating Revenues	11	-	-
O & M Revenue Refund	<u>(1,014)</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in Net Position	<u>\$ (474)</u>	<u>\$ (507)</u>	<u>\$ (1)</u>
Total payment to JPA during 2015	<u>\$ 1,404</u>	<u>\$ 1,080</u>	<u>\$ -</u>

**LINDMORE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

(10) Pension Plans

LINDMORE IRRIGATION DISTRICT DEFERRED COMPENSATION PLAN

The District has adopted a deferred compensation plan described in Internal Revenue Code Section 457 which covers all full-time employees. The District makes no contribution to the plan. Contributions are made by employees only on a voluntary basis. Total employee contributions in 2015 and 2014 were \$31,326 and \$19,077, respectively.

LINDMORE IRRIGATION DISTRICT EMPLOYEE PENSION PLAN

The District defined contribution employee pension plan is adopted under Internal Revenue Code Section 401(a) to provide for District required contributions of 8% of all employees' regular hourly compensation. All employees designated as full-time regular are eligible and fully vested in this money-purchase plan that provides retirement benefits. Additionally, the District provides matching contributions of up to 4% that employees contribute from their regular hourly compensation into the above deferred compensation plan.

The information below provides a summary of records for the Lindmore Irrigation District Employee Pension Plan for the years ended December 31:

	<u>2015</u>	<u>2014</u>
District current contributions	\$ 44,242	\$ 53,665
Net increase in fair market value of investments	22,086	33,238
Interest income from participant loans	<u>3,638</u>	<u>4,255</u>
Total additions	69,966	91,158
Less administrative expenses	<u>207</u>	<u>357</u>
Net increase	69,759	90,801
Net Pension available for plan benefits at fair value		
Beginning of year	<u>1,165,853</u>	<u>1,075,052</u>
End of year	<u>\$1,235,612</u>	<u>\$1,165,853</u>
Number of participant employees at December 31	8	9

The District has appointed its general manager to be the trust administrator and Mass Mutual Retirement Services for the administration, investment management and recordkeeping of both plans. This service maintains its accounting records on the cash basis of accounting. Fair value of plan assets is obtained from quoted market prices.

SUPPLEMENTARY INFORMATION

**LINDMORE IRRIGATION DISTRICT
BUDGETARY COMPARISON SCHEDULE
For The Year Ended December 31, 2015**

	Adopted <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Operating Revenue			
Water sales	\$ 2,627,790	\$ 1,604,247	\$(1,023,543)
Standby charges	640,000	638,481	(1,519)
Other revenue	<u>125,000</u>	<u>136,290</u>	<u>11,290</u>
Total Operating Revenue	<u>3,392,790</u>	<u>2,379,018</u>	<u>(1,013,772)</u>
Operating Expenses			
Source of supply	2,349,981	1,792,491	557,490
Pumping	119,500	42,312	77,188
Transmission and distribution	414,869	426,500	(11,631)
Administrative and general	691,255	690,915	340
Depreciation	<u>244,500</u>	<u>187,632</u>	<u>56,868</u>
Total Operating Expenses	<u>3,820,105</u>	<u>3,139,850</u>	<u>680,255</u>
Operating Income (Loss)	<u>(427,315)</u>	<u>(760,832)</u>	<u>(333,517)</u>
Non-Operating Revenue			
FPA revenue	825,000	-	(825,000)
Interest income	104,000	112,385	8,385
Investment gain (loss)	7,500	(40,828)	(48,328)
Interest expense	<u>(509,000)</u>	<u>(234,540)</u>	<u>274,460</u>
Total Non-Operating Revenue	<u>427,500</u>	<u>(162,983)</u>	<u>(590,483)</u>
Change in Net Position	<u>\$ 185</u>	(923,815)	<u>\$ (924,000)</u>
Net Position Beginning of Year		<u>11,853,700</u>	
Net Position End of Year		<u>\$ 10,929,885</u>	

**LINDMORE IRRIGATION DISTRICT
BUDGETARY COMPARISON SCHEDULE
For The Year Ended December 31, 2014**

	Adopted Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenue			
Water sales	\$ 2,343,330	\$ 1,596,639	\$ (746,691)
Standby charges	640,000	634,370	(5,630)
Other revenue	<u>125,000</u>	<u>130,143</u>	<u>5,143</u>
Total Operating Revenue	<u>3,108,330</u>	<u>2,361,152</u>	<u>(747,178)</u>
Operating Expenses			
Source of supply	2,147,346	1,483,270	664,076
Pumping	79,500	48,910	30,590
Transmission and distribution	403,596	449,931	(46,635)
Administrative and general	678,649	681,250	(2,601)
Depreciation	<u>244,500</u>	<u>203,476</u>	<u>41,024</u>
Total Operating Expenses	<u>3,553,291</u>	<u>2,866,837</u>	<u>686,454</u>
Operating Income (Loss)	<u>(444,961)</u>	<u>(505,685)</u>	<u>(60,724)</u>
Non-Operating Revenue			
FPA revenue	825,000	61,628	(763,372)
Interest income	124,750	106,124	(18,626)
Investment gain (loss)	2,399	(38,700)	(41,099)
Interest expense	<u>(510,000)</u>	<u>(241,619)</u>	<u>268,381</u>
Total Non-Operating Revenue	<u>442,149</u>	<u>(112,567)</u>	<u>(554,716)</u>
Change in Net Position	<u>\$ (2,812)</u>	(618,252)	<u>\$ (615,440)</u>
Net Position Beginning of Year		<u>12,471,952</u>	
Net Position End of Year		<u>\$ 11,853,700</u>	

**LINDMORE IRRIGATION DISTRICT
SCHEDULE OF ORGANIZATION STRUCTURE
DECEMBER 31, 2015**

BOARD OF DIRECTORS

<u>Division</u>	<u>Directors</u>	<u>Office</u>	<u>Term Expires</u>
5	John A. Arnold	President	December, 2016
4	David DePaoli	Vice President	December, 2018
1	Ronnie D. Adam	Director	December, 2018
2	Michael R. Brownfield	Director	December, 2018
3	Edward J. Milanesio	Director	December, 2016

General Manager/Secretary/Treasurer

Michael D. Hagman

Office Administrator/Assessor/Collector

Marvin Rowe

